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Sixth Annual Report

of

The Pension Benefits Branch

for the

Year Ending 31 December, 1972

The Pension Benefits Act, Chapter 272 of the Revised Statutes of Alberta 1970, came into force as of January 1, 1967, the intent and purpose of this legislation being to safeguard the rights of employees to the benefits promised under pension plans established by employers.

To achieve this, the Act requires that every employer-employee pension plan in operation be registered with the branch and that it comply with the standards set out, and maintain compliance during its lifetime.

In general terms, the main provisions of the Act are as follows:

VESTING:

Entitlement of a member to a deferred life annuity (payable at normal retirement age) composed of the pension benefits accrued under a pension plan in respect of service since January 1, 1967, if at the time he ceases to be employed by the employer he has attained age 45 and has been employed for a continuous period of 10 years by that employer.

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"Pension benefits" means those benefits provided by both the employer's contributions and those an employee is compelled to contribute while a member of the plan.

A member who qualifies for a deferred life annuity may not withdraw either his own contributions or the commuted value of the pension entitlement, nor is this entitlement capable of being assigned, surrendered, alienated, seized or attached.

- * This "locking-in" of the value of the benefit upholds the real purpose of pension plans, to provide income to retired employees.

FUNDING:

The employer is required to pay into the pension fund each year an amount sufficient to cover the cost of the benefits earned in that year. In addition, where an unfunded liability or experience deficiency exists, a special payment is required to be made annually in order to liquidate this debt within a specified number of years.

- * This ensures the monetary value of the promises made is being put aside, and is not part of the employer's assets.

INVESTMENT:

Pension plans are limited to those investments in which the general funds of insurance companies may be invested, with the extra proviso that not more than 10% of the book value of the fund may be invested in the shares of any one corporation. Seven per cent of the fund may be invested in unqualified securities.

- * The intent of these limitations is to reduce the risk of diminution of the fund through investment losses.

EXPLANATION TO EMPLOYEES:

The employer is required to provide each member of the pension plan with a written explanation of the terms and conditions of the plan and any amendments thereto.

- * By this means every member has the opportunity of knowing his rights and duties under the plan.

Usually the explanation is in the form of a booklet couched in every day language, but sometimes, especially if it is a relatively simple one, a copy of the plan is all that is given to members.

The duties and responsibilities of this branch extend not only to those plans solely subject to the legislation of this province, but also, by virtue of reciprocal agreements in effect with the Government of Canada, and the governments of the Provinces of Ontario, Quebec,



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continuing to be supplied to this bank in order that future statistics compiled will present up to date and accurate information.

Following the special meeting in December, 1971 at which changes to the legislation were suggested, Quebec undertook to research the cost to the employer under various types of circumstances. This study revealed that in some situations the extra cost was minimal, but in others fairly substantial, and it was felt that further consideration should be given before any changes were made. Both this province and Ontario decided to obtain the reaction of knowledgeable people on the subject, and called for comment in respect of the changes that had been suggested. Detailed study of the replies received is being proceeded with, and it is expected that the summarization will be of assistance in future discussions with regard to such changes.

A study group was charged with the task of devising standard forms for registration of pension plans and annual reporting, the contents to be such that information considered necessary to measure the effect of the legislation would be collected. The resultant forms have been adopted by Alberta, Quebec, Saskatchewan, and the Government of Canada.

The Regulations pursuant to The Pension Benefits Act were amended to effect the adoption of the new Forms 1(B) and 2(B), and also the establishment of a new fee schedule. O.C. 1212/72 dated August 1, 1972 authorizes these changes.

As in other years a fairly large volume of enquiries relative to the Act were received, and in the majority, these were dealt with promptly and satisfactorily.

Statistical information relating to the pension plans submitted for registration since the Act came into force up to December 31, 1972, is contained in Appendix 'A'.

A breakdown of those pension plans cancelled showing the reason for cancellation is as per Appendix 'B'.

Revenue from fees in respect of new registrations during the year 1972 was \$1,148.00, and the amount received in respect of annual information returns \$13,938.00, a total of \$15,086.00. Expenditures for the fiscal year 1972-73 were estimated to be \$79,980.00.

Except for isolated cases the branch has received full co-operation from employers, pension consultants, insurance companies and trust companies. This has assisted considerably in the administration of the Act, and is very much appreciated.

APPENDIX 'A'

	<u>1967</u>	<u>1968</u>	<u>1969</u>	<u>1970</u>	<u>1971</u>	<u>1972</u>
Applications Received	2088	2476	2569	2654	2718	2810
Already registered by other provinces and duplicate filings	<u>577</u>	<u>662</u>	<u>662</u>	<u>667</u>	<u>668</u>	<u>668</u>
	1511	1814	1907	1987	2050	2142
Plans examined	802	1791	1900	1980	2044	2120
Plans "accepted" (Registration)	615	1688	1815	1909	1968	2040
Plans cancelled	12	108	253	462	613	750
Plans not accepted (includes "unexamined")	884	80	28	13	12	33
Plans transferred under reciprocal agreements						
To Alberta supervision	nil	nil	60	69	71	77
From Alberta supervision	nil	nil	26	52	55	65
Amendments to "accepted" plans	43	338	762	1232	1946	2871

APPENDIX 'B'

<u>Number Cancelled</u>	<u>Reason for Discontinuance</u>
278	Non-approval by Department of National Revenue
122	Replaced by new plans
80	Financial problems
68	Company dissolved
16	Not required to register and duplicate registrations
75	No members left in plan
14	Non compliance
97	No reason given - owner's request
Total 750	

